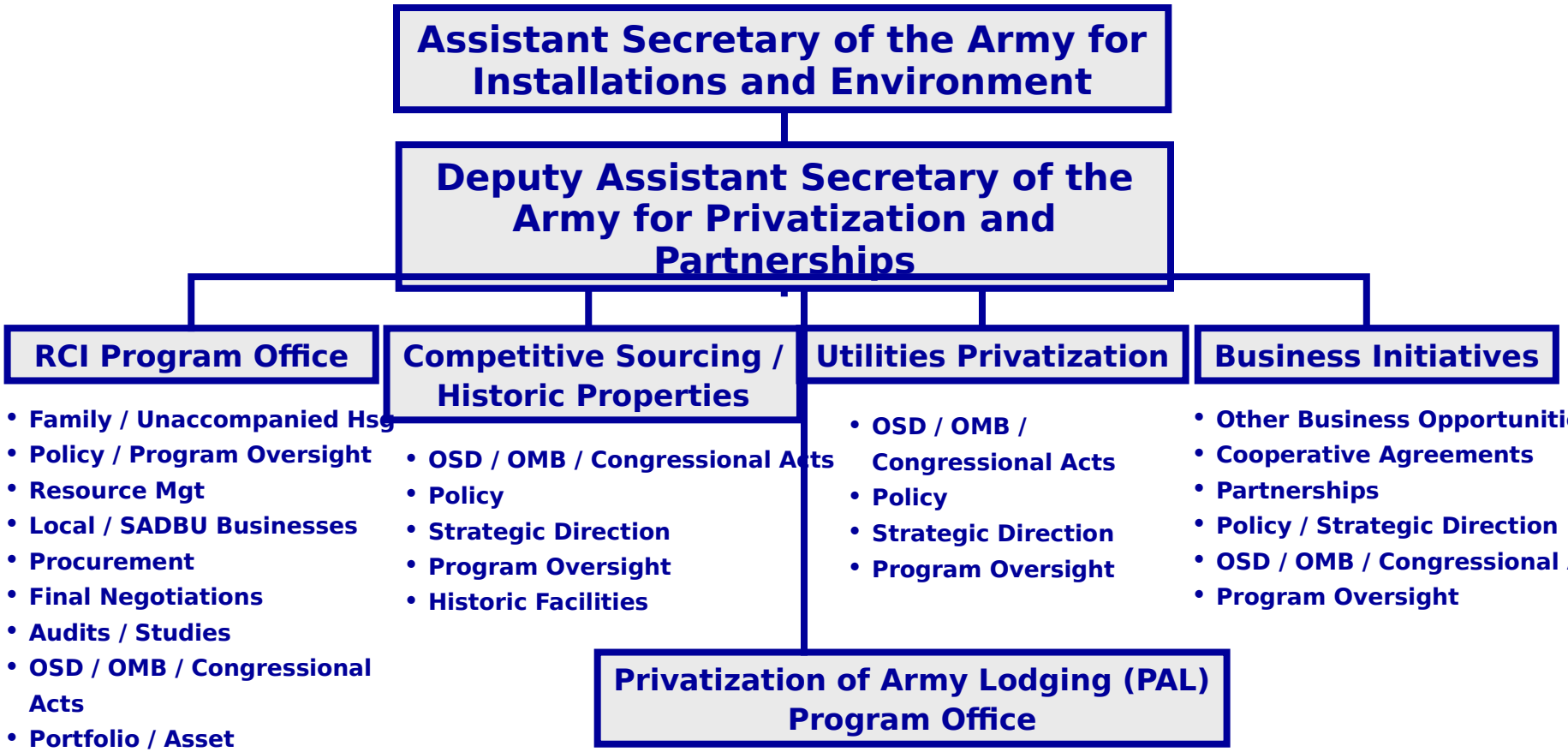
OUTSOURCING, PRIVATIZATION & INNOVATIVE STRATEGIES

Residential Communities Initiative (RCI)

Family Housing Privatization

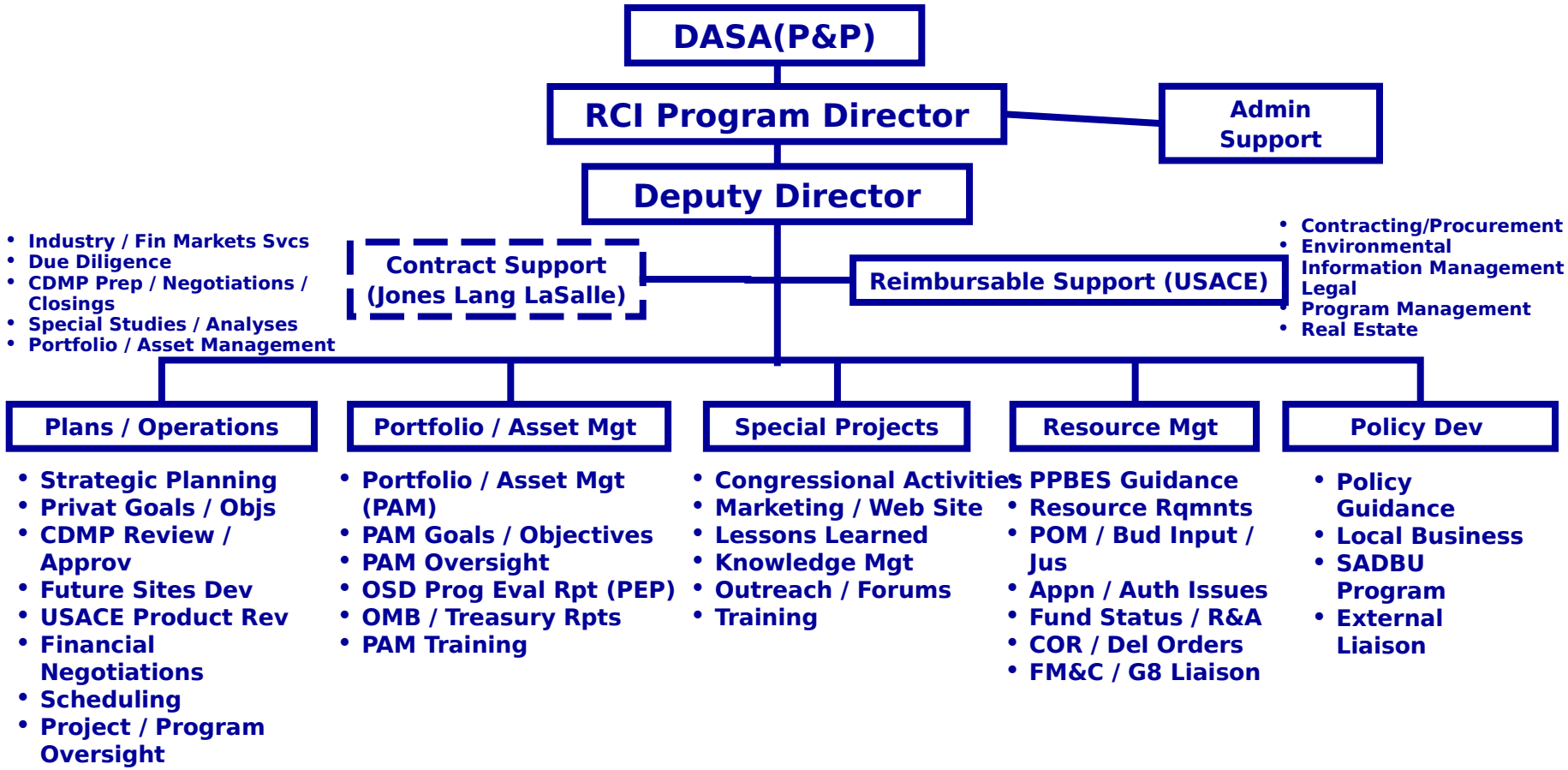
2 December 2003

PRIVATIZATION AND PARTNERSHIPS
CENTRALIZED MANAGEMENT AT HQDA

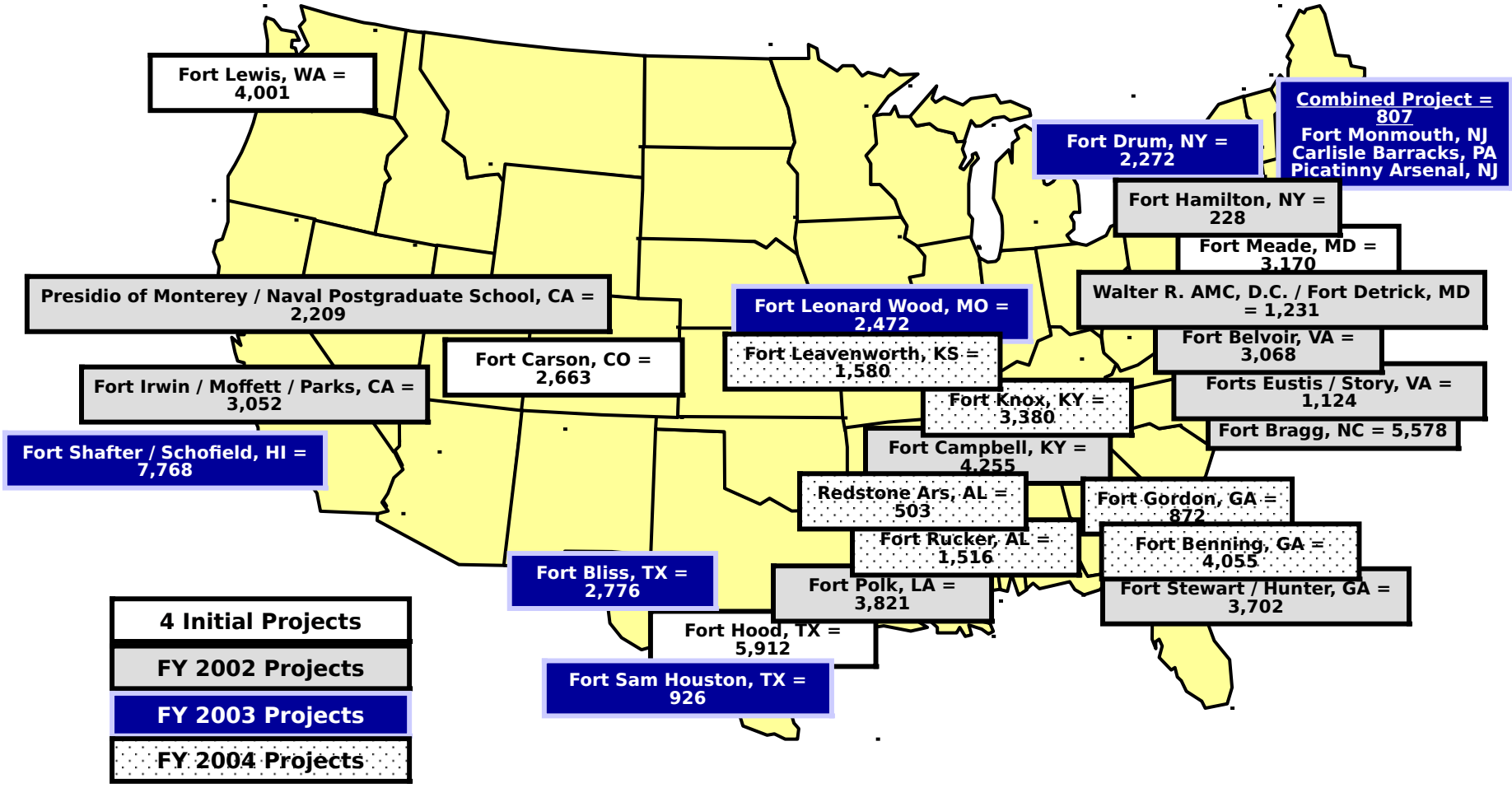

Assistant Secretary of the Army for Installations and Environment
Deputy Assistant Secretary of the Army for Privatization and Partnerships
RCI Program Office
• Family / Unaccompanied Hsg
• Policy / Program Oversight
• Resource Mgt
• Local / SADBU Businesses
• Procurement
• Final Negotiations
• Audits / Studies
• OSD / OMB / Congressional Acts
• Portfolio / Asset Management
Competitive Sourcing / Historic Properties
• OSD / OMB / Congressional Acts
• Policy
• Strategic Direction
• Program Oversight
• Historic Facilities
Utilities Privatization
• OSD / OMB / Congressional Acts
• Policy
• Strategic Direction
• Program Oversight
Business Initiatives
• Other Business Opportunities
• Cooperative Agreements
• Partnerships
• Policy / Strategic Direction
• OSD / OMB / Congressional Act
• Program Oversight
Privatization of Army Lodging (PAL) Program Office

PRIVATIZATION AND PARTNERSHIPS

RCI CENTRALIZED AT SECRETARIAT



CURRENT RCI PROGRAM
26 PROJECTS (72,941 HOMES)
(PLUS OTHERS IN THE QUEUE)


Fort Lewis, WA = 4,001
Presidio of Monterey / Naval Postgraduate School, CA = 2,209
Fort Irwin / Moffett / Parks, CA = 3,052
Fort Shafter / Schofield, HI = 7,768
Fort Carson, CO = 2,663
Fort Bliss, TX = 2,776
Fort Hood, TX = 5,912
Fort Sam Houston, TX = 926
Fort Leonard Wood, MO = 2,472
Fort Leavenworth, KS = 1,580
Fort Knox, KY = 3,380
Fort Campbell, KY = 4,255
Redstone Ars, AL = 503
Fort Rucker, AL = 1,516
Fort Polk, LA = 3,821
Fort Drum, NY = 2,272
Combined Project = 807
Fort Monmouth, NJ
Carlisle Barracks, PA
Picatinny Arsenal, NJ
Fort Hamilton, NY = 228
Fort Meade, MD = 3,170
Walter R. AMC, D.C. / Fort Detrick, MD = 1,231
Fort Belvoir, VA = 3,068
Forts Eustis / Story, VA = 1,124
Fort Bragg, NC = 5,578
Fort Gordon, GA = 872
Fort Benning, GA = 4,055
Fort Stewart / Hunter, GA = 3,702
4 Initial Projects
FY 2002 Projects
FY 2003 Projects
FY 2004 Projects

RCI FOCUS

VISION

- Develop Quality Residential Communities

GOALS

- Eliminate inadequate Army Family Housing in the U.S. by 2007
- Eliminate the deficit

OBJECTIVES

- Sustain adequate housing
- Leverage assets / funds
- Attract quality partners
- Obtain partner expertise / innovation / capital
- Ensure reasonable profits / incentive based fees
- Maximize use of local (large / small) businesses
- Protect interests with Portfolio / Asset Mgt Program

RCI PROCESS

PROJECT CONCEPT TO TRANSFER

Prepare / Issue / Award RFQ* Solicitation
Develop CDMP** / Obtain Approvals
Notify Congress
Transition to Partner Operations
Oversee CDMP Execution

- Develop concept
- Start NEPA / surveys
- Start assessments
- Conduct due diligence
- Prepare 2-step RFQ
- Notify Congress
- Issue solicitations
- Conduct training
- Conduct evaluations
- Award project

- Conduct training
- Develop / resolve issues
- Complete NEPA
- Complete assessments
- Complete surveys
- Submit CDMP to HQ Army
- Obtain Army approval
- Finalize scoring estimate
- Obtain OSD / OMB approvals

- Notify Congress
  - Project / CDMP -- 45 days
  - Reprogramming scoring $ into OSD account -- 30 days

- Issue Transition Notice
- Complete documents
- Close deal
- Start partner mobilization
- Start agreement oversight
- Start Portfolio / Asset Mgt
- Transfer Assets / Opns

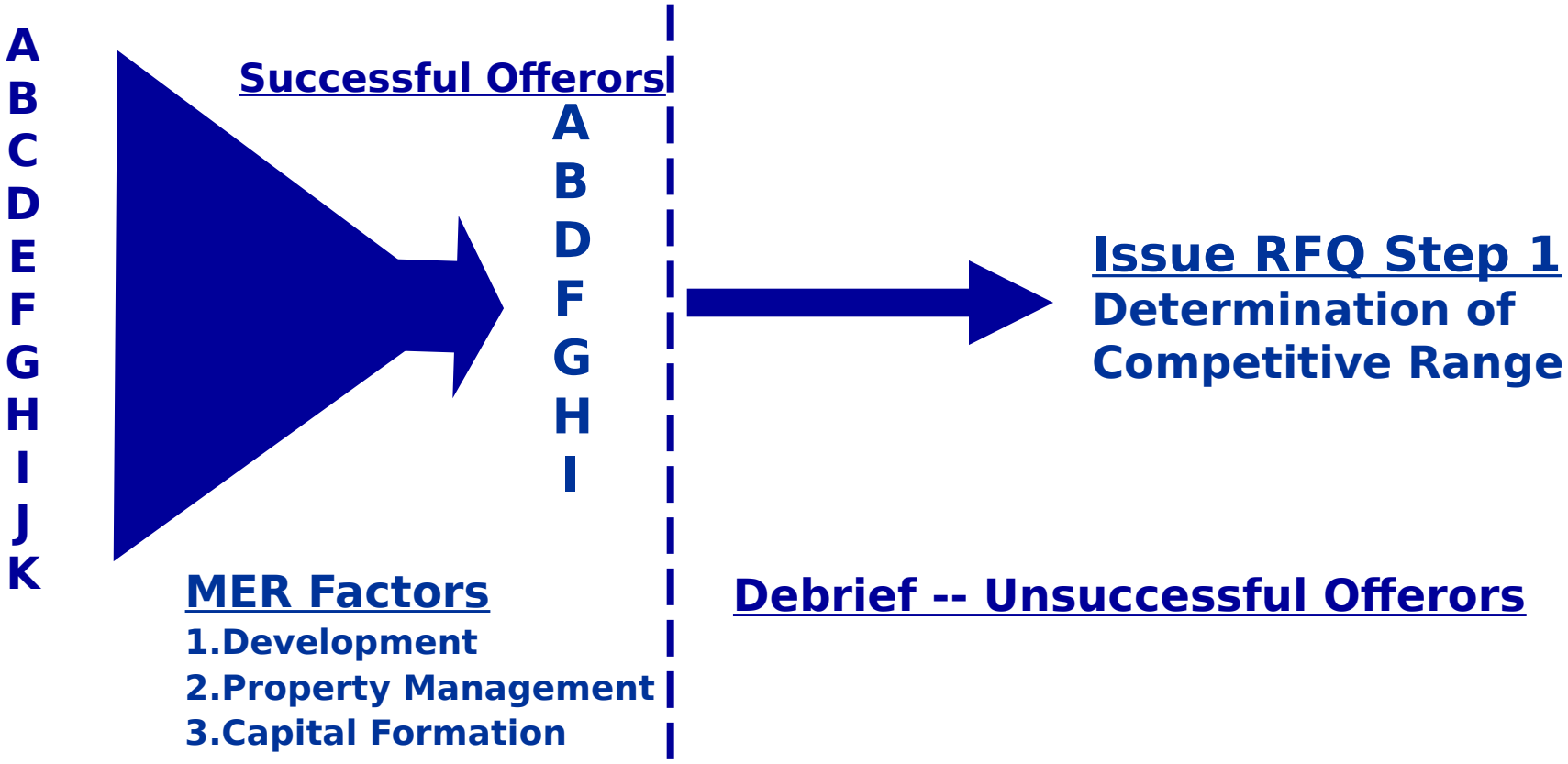
- Execute CDMP
- Continue oversight
- Continue Port / Asset Mgt
- Collect BAH

* Request for Qualifications

** Community Development and Management Plan

RCI PROCESS
STREAMLINED PROCUREMENT
(INITIAL SCREEN)

Minimum Experience Requirements (MER) Evaluation

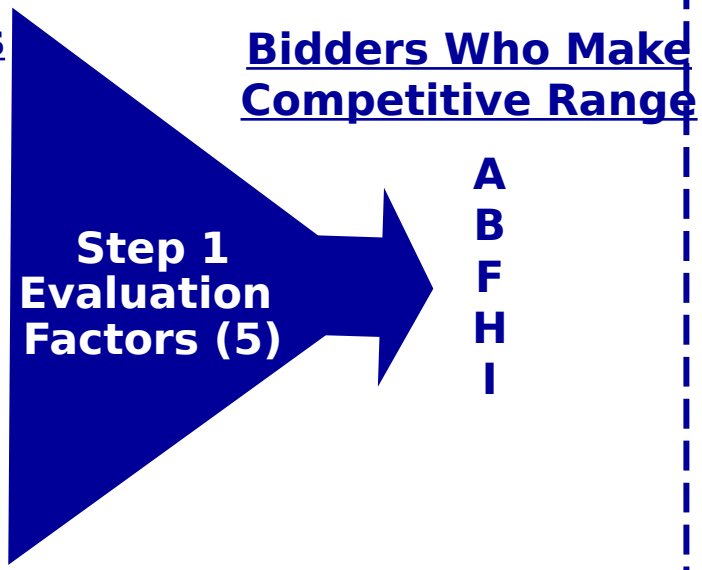


RCI PROCESS
STREAMLINED PROCUREMENT
(NEXT STEPS)

Establish Competitive Range for a Group that has Multiple Projects

Bidders

A
B
D
F
G
H
I



Bidders Who Make Competitive Range

A
B
F
H
I

STEP 1 -- 5 FACTORS

1 -- Experience
2 -- Financial Capability
3 -- Organizational Capability (Corporate)
4 -- Past Performance
5 -- Small Business (Past Use)

Select Partners (from Range) Who Bid on Group Projects (4-Project Group Exampl

Step 2 Evaluation Factors (4)

Fort W (D Day)
Bidders
Winner
B, F, H
H

Fort X (D+90)
Bidders
Winner
A, B, I
A

Fort Y (D+180)
Bidders
Winner
B, F, H
B

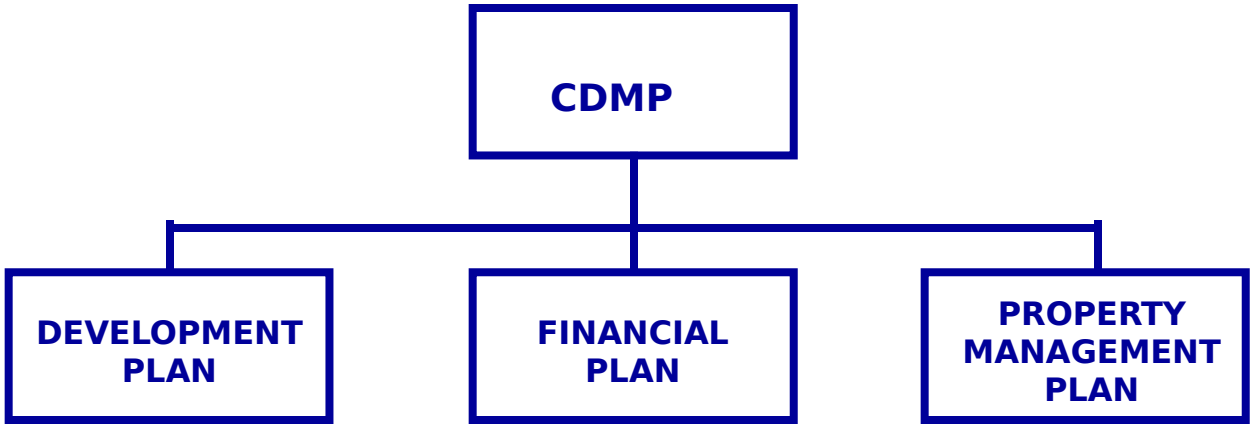
Fort Z (D+270)
Bidders
Winner
A, H, I
I

STEP 2 -- 4 FACTORS

1 -- Preliminary Concept
2 -- Organizational Capability (Installation)
3 -- Financial Return
4 -- Small Business (Proposed Use)

RCI PROCESS -- CDMP COMPONENTS

3 MAJOR SECTIONS / PLANS

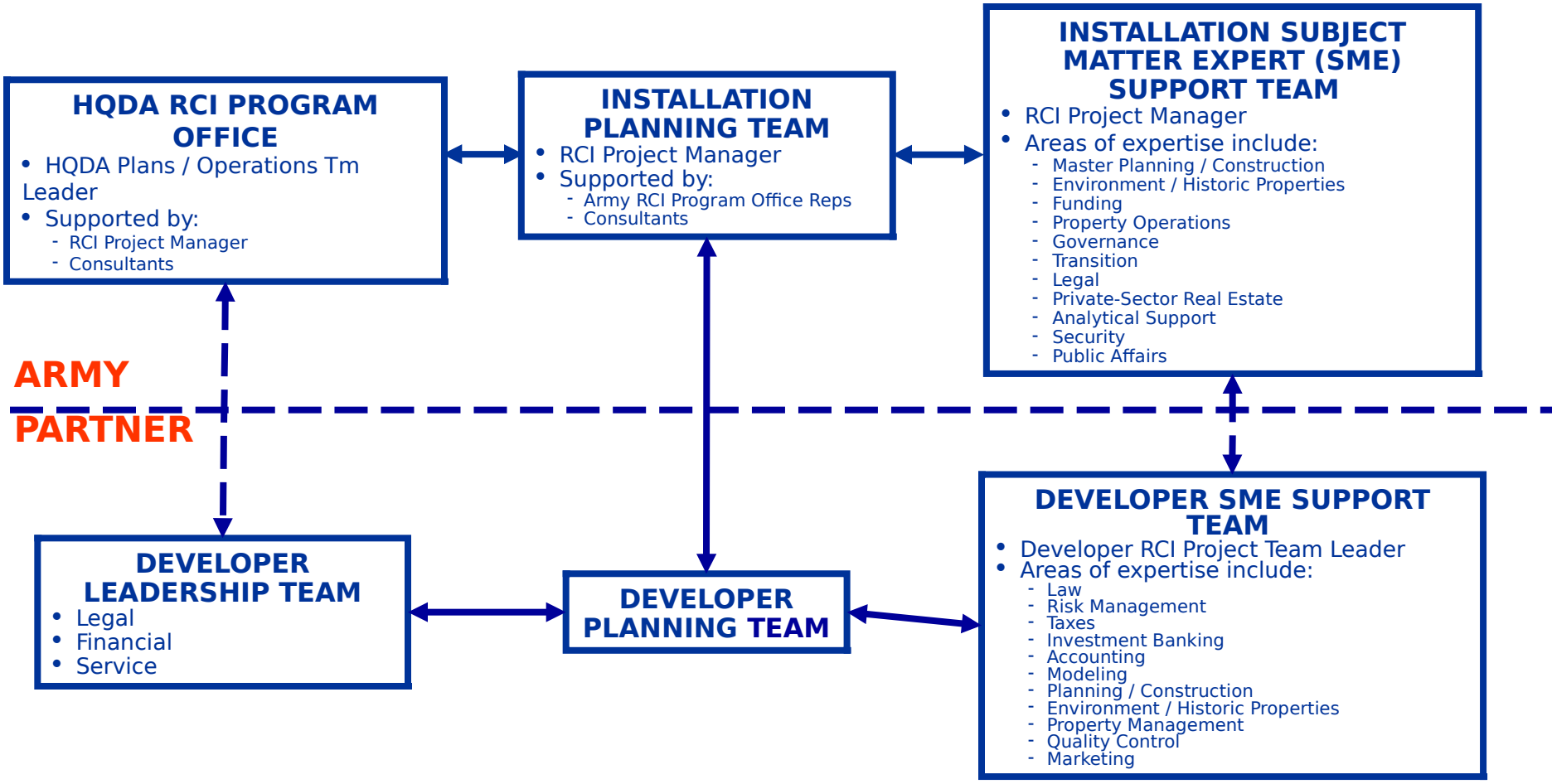


- Master plan
- Renovation / construction
- Subcontracting / small business
- NEPA
- Schedule

- Life-cycle cash flow
- Sources / uses
- Balance sheet
- Transactional instruments

- Operations
- Maintenance standards
- Organization / staffing
- Transition

RCI PROCESS -- CDMP STRUCTURE



RCI PROCESS
MWR FACILITIES / SERVICES
PREQUIRES CLOSE COORDINATION & APPROVAL BY THE MWR PROPONENT

- Community Centers / Libraries
- Playgrounds / Tot Lots
- Sports / Fitness facilities)
- Outdoor Recreation
- RV Parks / Storage
- Auto Hobby Shops / Car Washes
- Leisure Travel (tickets / events)
- Arts / Crafts / Sales of Products
- Concerts / Theaters
- Child Development Centers
- Youth / Teen Centers
- School Age Services
- Skate Parks
- Pools / Water Parks
- Army / Recreational Lodging
- Clubs / Catering
- Bowling / Golf facilities
- Recycling
- Food / Beverage / Entertainment
- Fast Food Outlets (AAFES / MWR)
- Go Kart Tracks / Mini Golf
- Archery Ranges, Rod / Gun Opns
- Skeet and Trap
- Marinas / Camp Sites
- Cable TV Franchise
- Other Facilities / Services

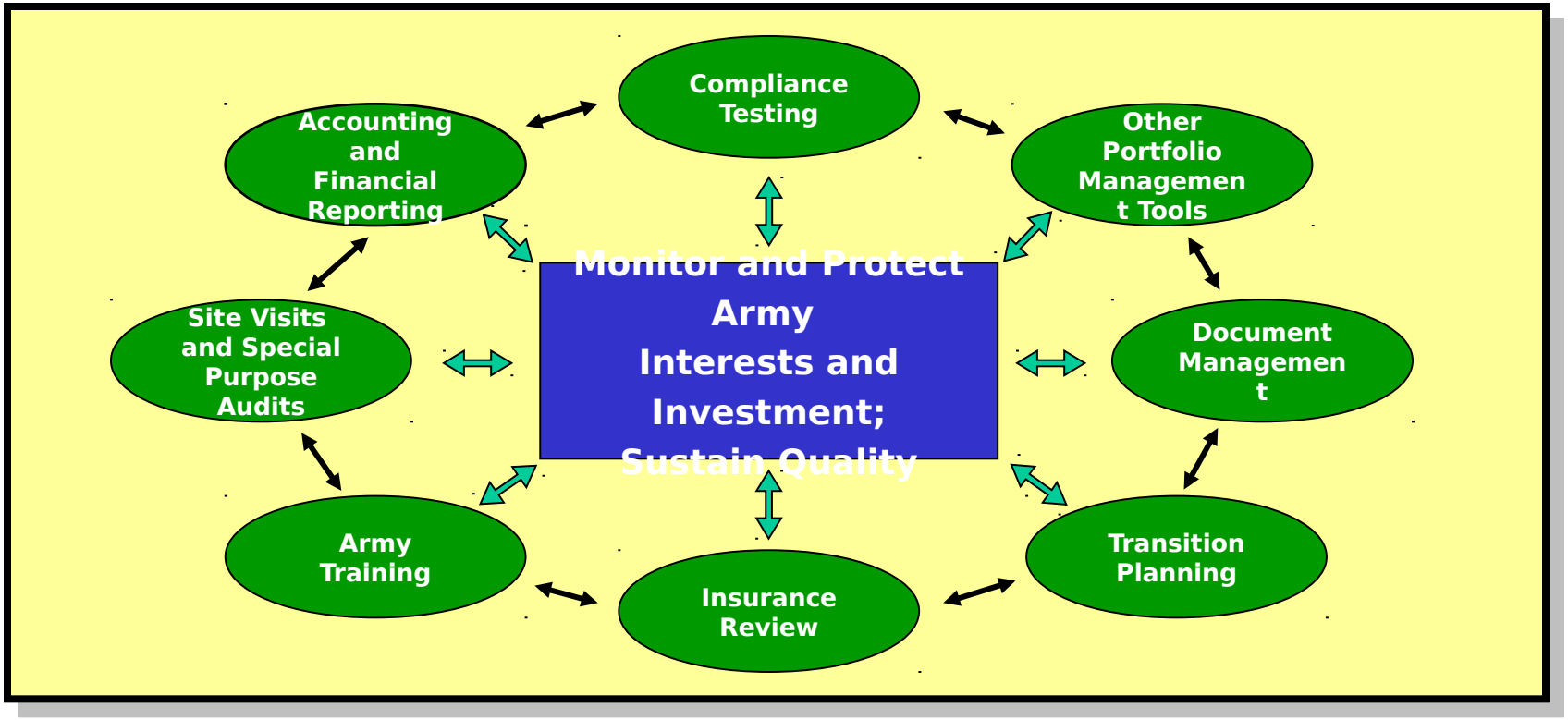
RCI PROCESS
PORTFOLIO / ASSET MGT (PAM) PROGRAM

PROTECTING ARMY / SOLDIER INTERESTS FOR 50+ YRS

- **Program designed to:**
  - **Monitor health of RCI Portfolio**
  - **Report to stakeholders on program and projects for next 50+ years**
- **Comprised of:**
  - ***Asset Management*** **-- Day to day oversight / protection of housing assets / operations of a specific project -- at** ***Installation Level***
  - ***Portfolio Management*** **-- Oversight / protection of housing assets and operations across entire portfolio of RCI assets -- at** ***HQ Level***

RCI PROCESS -- PAM GOAL AND COMPONENTS

GOAL: To proactively and systematically mitigate risks and protect RCI assets to sustain RCI Program success



RCI PROCESS -- RESULTING DEALS

- Privatization projects are complex / multi-$B, 50-year deals
- Army out-leases underlying land; transfers title of improvements
- Partner collects rents equivalent to Basic Allowance for Housing (BAH)
- Limited Liability Corporations / Limited Liability Partnerships are used by Army to "partner" with Development Partners
- CDMP / Land Lease documents provide details of the deal

RCI PROGRAM -- 26 PROJECTS

72,941 Family Housing Units
>80% of U.S. Owned Inventory

- Fort Carson, CO - 1999
- Fort Hood, TX - 2001
- Fort Lewis, WA - 2002
- Fort Meade, MD - 2002
- Fort Bragg, NC - 2003
- Pres of Monterey-Naval PS, CA - Oct 2003
- Fort Stewart-Hunter AAF, GA - Nov 2003

9 Awarded for CDMP Development -- Transfer Date

- Fort Campbell, KY - Dec 2003
- Fort Belvoir, VA - Jan 2004
- Fort Irwin-Moffett Fed AF-Cp Parks, CA - Feb 2004
- Forts Eustis-Story, VA - Apr 2004
- Fort Hamilton, NY - May 2004
- Fort Polk, LA - Jun 2004
- Walter Reed AMC, DC / Fort Detrick, MD - Aug 2004
- Fort Shafter / Schofield Barracks, HI - Oct 2004
- ort Le

2003 Solicitations

- Fort Sam Houston, TX
- Fort Bliss, TX
- Fort Drum, NY
- Fort Monmouth / Picatinny Arsenal, NJ-Carlisle Barracks, PA

2004 Solicitations

- Fort Benning, GA
- Fort Rucker, AL
- Fort Gordon, GA
- Fort Knox, KY
- Fort Leavenworth, KS
- Redstone Arsenal, AL

1ST 7 PROJECTS TRANSFERRED TO PARTNER

Site / End State Inventory Govt Invest / Initial Scope / Period	Status
FT CARSON / 2,663 NOV 1999 $10.1M / $229M / 5 years	TRANSFERRED TO PARTNER - Out of 840 deficit, 840 built - >1,200 renovations completed
FT HOOD / 5,912 OCT 2001 $52.0M / $266M / 5 Years	TRANSFERRED TO PARTNER - Out of 290 deficit, 192 built / 98 ongoing - 274 replacements ongoing - 224 renovations completed
FT LEWIS / 4,001 APR 2002 $0 / $321M / 10 years	TRANSFERRED TO PARTNER - Out of 345 deficit, >190 built - >260 redevelopments ongoing
FT MEADE / 3,170 MAY 2002 $0 / $461M / 10 years	TRANSFERRED TO PARTNER - Out of 308 deficit, 126 ongoing - 925 upgrades completed
FT BRAGG / 5,578 AUG 2003	TRANSFERRED TO PARTNER

FORT CARSON DEVELOPMENT

FORT HOOD DEVELOPMENT

FORT LEWIS RIBBON-CUTTING

FORT LEWIS DEVELOPMENT

FORT MEADE JR ENLISTED HOUSING

FORT BRAGG NEIGHBORHOOD CENTER

Community Center Sketch
Picerne Military Housing
Fort Bragg, North Carolina

PRESIDIO OF MONTEREY / NAVAL POSTGRADUATE SCHOOL HOUSING

Mission Vernacular CGO

High Mission
EGO

Mission Spanish Colonial SGO

FORT STEWART RENDERINGS

NEXT 9 PROJECTS AWARDED IN THE COMMUNITY DEVELOPMENT AND MANAGEMENT PLAN (CDMP) PHASE

Project / Projected End State Inventory Govt Invest / Initial Scope and Period			Status	
FT CAMPBELL	/ 4,255		PARTNER SELECTED	AUG 2002
$60.1M	/ $267M	/ 9 years	Transfer assets / operations to partner	Dec 2003
FT BELVOIR	/ 3,068		PARTNER SELECTED	SEP 2002
$0	/ $628M	/ 7 years	Transfer assets / operations to partner	Jan 2004
FT IRWIN-MOFFETT-PKS	/ 3,052+200 UPH		PARTNER SELECTED	SEP 2002
$0	/ $489M	/ 10 years	Transfer assets / operations to partner	Feb 2004
FT EUSTIS-STORY	/ 1,124		PARTNER SELECTED	JAN 2003
$14.8M	/ $132M	/ 5 years	Transfer assets / operations to partner	Apr 2004
FT HAMILTON	/ 228		PARTNER SELECTED	APR 2003
$2.2	/ $59M	/ 4 years	Transfer assets / operations to partner	May 2004
FT POLK	/ 3,821		PARTNER SELECTED	APR 2003
$64M	/ $382M	/ 10 years	Transfer assets / operations to partner	Jun 2004
W				APR / Aug 2004

1st 16 Projects: $336.2M Govt Investment Provides $6,778.0M in Private Initial Dev

LOCAL (LARGE / SMALL) BUSINESS PARTICIPATION

- **Predictable revenue stream from BAH**
- **High demand for on-post housing; low-cost land / infrastructure**
- **Alignment of the developer's and Government's goals**
- **Availability of financial / other privatization authorities**
- **Flexible project that holds assurances for developer / Government**
- **Big increase in work, supplies and materials for local businesses; RCI Partners are:**
  - **Partnering with local communities / businesses**
  - ***Subcontracting 60%-70% of work, supplies and materials locally***

LESSONS LEARNED / CHALLENGES

- Timeline Delays
- Footprint Decisions
- Environmental Issues
- Requirements Determination
- Centralized RCI Training
- Historic Properties
- Taxation Determination
- Getting Ready for RCI
- Application of Davis-Bacon
- Energy Savings Performance Contract Impacts
- SADBU Participation
- Impact on Schools
- Standards / LEED
- Utilities Policy Implementation
- Residual Staffing
- Balancing the Portfolio
- Connected Homes
- Utility Privatization Impacts
- Resident Insurance
- Redstone Arsenal Tax Exempt Project

ASSESSMENT OF RCI

- Fixes family housing in U.S.
- Obtains private expertise / capital
- Shifts focus from "Houses" to "Residential Communities"
- Streamlines procurement
- Shows positive results at 1st 16 projects
- Assures long-term sustainment of adequate housing
- Allows for large / small business participation
- Increases well-being of ~73,000 soldiers / families
- Protects interests with a Portfolio / Asset Management Program

OUR MILITARY
PROTECTING THE AMERICAN DREAM

RCI ALLOWS THE MILITARY FAMILY TO LIVE THAT DREAM

Visit Our Web Site at http://rci.army.mil
RCI Office 703-604-1445

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